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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

COMPREHENSIVE REVISION OF THE FINANCIAL REGULATIONS AND RULES

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Administrator of the United Nations Development Programme on the comprehensive revision of the UNDP financial regulations and rules (DP/2000/4). The Committee also had before it an advance copy of the annex to the report, in English only, containing the text of the proposed revised financial regulations and rules, as well as a conference room paper, in which the text of the old regulations was compared with that of the proposed revised regulations (DP/2000/CRP.5). During consideration of the matter, the Committee met with representatives of the Administrator.

2. As indicated in paragraph 7 of the Administrator's report, the proposed comprehensive revision of the financial regulations and rules contains both editorial and substantive changes. The former changes "include modification made to the structure of the document, to the presentation of the information, as well as to the terminology. Substantive changes include both updates incorporated to reflect past decisions made by the Executive Board and policy changes already introduced by the Administrator, as well as new policies for which no clear mandate or policies exist yet and for which the Administrator is seeking the endorsement of the Executive Board." In paragraph 53 of the report, the Administrator requests that the Executive Board approve the proposed revised regulation and take note of the proposed revisions to the financial rules.

3. The Advisory Committee had serious difficulties reviewing the proposed changes to the financial regulations and rules of UNDP. The Committee notes that observations and comments explaining the reasons for the proposed changes to each regulation are not presented in the report. The conference room paper

(DP/2000/CRP.5) contains only comments prepared by the United Nations Office of Legal Affairs on some of the proposed changes to the regulations. The Committee believes that for ease of identification, revisions and additions to the text should have been shown in bold typeface and deletions shown with a line through the text to be deleted (see, for example, DP/FPA/2000/3).

4. Chapter III of the report (paras. 8-16) contains the proposed "editorial" revisions. The Advisory Committee notes from paragraphs 11-13 that a set of rules are proposed to be "upgraded" to the level of regulations but no explanations are provided in the report. Conversely, in paragraph 13, it is proposed that the current financial regulations 8.10 (e) (i) to (v) and 8.11 be deleted and replaced by corresponding rules. The Committee notes that proposed changes are not merely editorial but include fundamental changes in policy directions that should emanate directly from the Executive Board.

5. Proposed changes in the terminology are discussed in paragraphs 15 and 16. The Advisory Committee recommends that, before changes are introduced in the terminology of the financial regulations and rules, care should be taken to ensure that the proposed terminology is consistent with the agreement to harmonize the budget presentations of United Nations funds and programmes, in particular those of UNFPA and UNICEF. For example, the Committee notes that the terms "programme country", "executing entity" and "regional" are inconsistent with those used by UNFPA (see DP/FPA/2000/1, para. 3, regulation 2.1). The Committee is of the view that the introduction of new terms such as "committing officer" and "verifying officer", under the proposed new financial regulation 27.01, may be potentially misleading and should be avoided. The Committee believes that a standard nomenclature of budgetary and financial terms should be followed throughout the United Nations system and that organizations should agree on the proposed new terms before their introduction. Upon inquiry, the Committee was informed that the proposed new terms and definitions in the regulations were not submitted to the Consultative Committee on Administrative Questions (CCAQ) for review. The Advisory Committee recalls that organizations have submitted new terms and definitions to CCAQ for review, as well as proposed amendments to the financial regulations of the organizations prior to submissions to their governing bodies. This procedure was endorsed by the Committee (see DP/1997/2, E/ICEF/1997/AB/L.3 and DP/1997/10, E/ICEF/1997/AB/L.6).

6. Proposed substantive changes to the regulations for which mandates exist are discussed in paragraphs 17-39. A preliminary review of the matter has led the Advisory Committee to the conclusion that there may be proposed changes in the regulations that would require clarification of the UNDP mandate by the Executive Board. For example, under proposed financial regulation 2.02 (c), the Administrator would be authorized "when he deems it necessary" to "suspend the application of any of these Financial Rules and shall circulate suspensions of these Rules to the Members of the Executive Board for information as soon as they become effective". The Committee questions the rationale for this proposal since this may result in an indirect suspension of the relevant regulations by the Administrator. As indicated in paragraph 10 of the report, the financial rules, as the financial policies determined by the Administrator, are the means for the implementation of the financial regulations, which are the policies and

mandates determined by the Executive Board to establish the framework within which the Administrator should operate.

7. The Advisory Committee had serious difficulties understanding the reasons for the introduction of changes to the regulations discussed in paragraphs 40-48 of the report, which address changes to the regulations on matters for which no clear mandate exists. The Committee points out that, in most instances, fundamental principles underlying the proposed changes have not yet been agreed on by the governing bodies of UNDP. The Advisory Committee strongly recommends that the Executive Board not take action on the proposals until such time as the Administrator has prepared policy papers on the various issues that explain the reasons that have motivated the Administrator to introduce such proposed changes. These issues include those discussed under grant modality, non-governmental organization execution, authority to advance regular resources when anticipated contributions to other resources have not been fully funded or received on time, and authority to establish credit-line facilities. The Committee recommends that the Administrator prepare comprehensive reports on each issue, detailing the problems encountered by UNDP on the subject and the actual operational experience of UNDP in dealing with the matter over time.

8. In the light of the Advisory Committee's observations in paragraphs 4-7 above, the Committee recommends that the Administrator resubmit his proposed amendments after consideration of policies and mandates by the Executive Board. Moreover, taking into account the Committee's observations and comments in paragraph 3 above, the Advisory Committee recommends that the report be resubmitted in a format that would permit the easy identification of the proposed changes and would contain precise and succinct explanations indicating the reasons for the proposed changes to each regulation.